

American Broadcasting Company, Inc.

and Subsidiaries

Statement of Consolidated Income and Earned Surplus

For the Year Ended December 31, 1950

| | |
|--|---------------------------|
| Gross Income from Operations, less discounts and rebates | \$45,879,660 |
| <hr/> | |
| Cost of Operations: | |
| Operating expenses (including depreciation and amortization of \$1,119,834) (Note 4) | \$35,719,434 |
| Commissions to advertising agencies | 5,448,242 |
| Selling, general and administrative expenses (including depreciation and amortization of \$70,911) | 4,265,376 45,433,052 |
| Profit from Operations | \$ 446,608 |
| Other Income | 19,053 |
| | \$ 465,661 |
| <hr/> | |
| Other Deductions: | |
| Interest on long-term debt | \$ 276,179 |
| Miscellaneous | 56,877 333,056 |
| | \$ 132,605 |
| Provision for Federal Income Taxes | 48,000 |
| Net Income for Year | \$ 84,605 |
| Earned Surplus at December 31, 1949 | <u>3,542,954</u> |
| Earned Surplus at December 31, 1950 (not available for dividends under terms of loan agreements) | <u>\$ 3,627,559</u> |

Board of Directors

Edward J. Noble, Chairman

Mark Woods, Vice-Chairman

| | |
|--------------------|---------------------|
| Earl E. Anderson | C. Nicholas Priaulx |
| Alger B. Chapman | Franklin S. Wood |
| Robert H. Hinckley | Owen D. Young |
| Robert E. Kintner | William Zeckendorf |

Annual Report

American
Broadcasting
Company, Inc.

1950

Officers

| | |
|-----------------------------|------------------------------|
| Edward J. Noble | Chairman |
| Mark Woods | Vice-Chairman |
| Robert E. Kintner | President |
| C. Nicholas Priaulx | Vice-President and Treasurer |

Assistants to the President

| | |
|-------------------------|--|
| Joseph A. McDonald | Vice-President, Secretary and General Attorney |
| Robert Saudek | Vice-President |

| | |
|---------------------------------|---------------------|
| Earl E. Anderson | Vice-President |
| Otto Brandt | Vice-President |
| James H. Connolly | Vice-President |
| Robert H. Hinckley | Vice-President |
| Ernest Lee Jahncke, Jr. | Vice-President |
| Frank Marx | Vice-President |
| John H. Norton, Jr. | Vice-President |
| Leonard Reeg | Vice-President |
| Frank Samuels | Vice-President |
| Alexander Stronach | Vice-President |
| Fred M. Thrower | Vice-President |
| Thomas Velotta | Vice-President |
| Paul Whiteman | Vice-President |
| Ernest Felix | Assistant Treasurer |
| Aaron Rubin | Assistant Treasurer |
| Walter C. Tepper | Controller |
| Geraldine Zorbaugh | Assistant Secretary |

Bankers Trust Company of New York, N. Y.

Transfer Agent

The Commercial National Bank and Trust Company
of New York, N. Y.

Registrar

30 Rockefeller Plaza

BOARDS
M.R.B
New York 20, N. Y.

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Annual Report

To the Stockholders:

The advances made by your Company in 1950 are indicated in the attached financial statement. These gains are continuing in 1951.

Here are some of the salient facts concerning ABC Television in 1950: ABC-TV entered 1950 with 13 clients. At the close of the year 41 advertisers had scheduled network programs on your Company's Television Network. In June, 1950, ABC-TV established a sales record when it signed 16 new network contracts in 16 days. This unequalled sales performance bore fruit later in the year with another new record: nine sponsored television programs premiered on ABC-TV in the space of a single week in October.

During 1950 the ABC-Television Network increased to 63 stations from 52 at the close of 1949. These include five television stations wholly owned by your Company in New York, Chicago, Detroit, Los Angeles and San Francisco—five of the first six retail sales markets in the United States. As a result, the ABC-Television Network covered an area with a population of 72,702,800, and containing 10,549,500 television receiving sets at the year's end. Vitapix, the ABC improved method of television recording provides service to an additional population area of 15,673,300 which includes an estimated 1,394,500 video receivers, through the 16 affiliated stations located in cities not covered by coaxial cable.

Our Television Centers on owned properties in New York and Hollywood have been hailed as the largest and most modern facilities in the world, and with excellent studios and equipment in Detroit, Chicago and San Francisco, ABC offers unequalled service to its audience and to the advertiser. As an example of our engineering progress your Company's key New York station, WJZ-TV, moved its transmitter to the top of the Empire State Building, the world's tallest building, on January 26, 1950, without missing a single minute of our scheduled programming. This change brought new clarity and brilliance to WJZ-TV program transmissions. In addition, other major improvements were made in 1950 to your Company's facilities. Four fully equipped studios were added to the Television Network's owned and operated stations. These developments included studios and plant expansion in Hollywood's 23-acre Television Center.

During the past year ABC created two separate divisions, ABC Radio and ABC Television, within the Company, in order to give greater independence to its radio and television activities. This step already has proven its worth in creativity and efficiency.

Gross income from operations, less discounts and rebates totaled \$45,879,660 in 1950, as compared with \$40,267,488 for the previous year. Net income after Federal Income Taxes for the year ended December 31, 1950 amounted to \$84,605, compared with a net loss of \$519,085 for 1949 after an adjustment of \$327,000 for recovery of Federal income taxes under the carry-back provisions of the Internal Revenue Code.

As of December 31, 1950, the consolidated balance sheet showed current assets totaling \$9,325,334. Current liabilities at that date were \$5,761,855, leaving a net working capital position of \$3,563,479.

With an expansion of advertising budgets, we anticipate a growing volume of business on ABC Radio and Television in 1951. Television will continue to require substantial expenditures but our present estimates indicate satisfactory and profitable operations in 1951.

For the Board of Directors
EDWARD J. NOBLE
Chairman

March 26, 1951

American Broadcasting Company, Inc.

and Subsidiaries

Consolidated Balance Sheet at December 31, 1950

ASSETS

CURRENT ASSETS:

| | |
|--|--------------|
| Cash | \$ 2,072,081 |
| Accounts receivable — trade (less reserve \$87,500) | 6,765,991 |
| Prepaid insurance, taxes, rent, etc. | 487,262 |
| Total current assets | \$ 9,325,334 |

FIXED ASSETS, at cost:

| | |
|---|--------------|
| Buildings, equipment and leasehold improvements | \$10,859,895 |
| Less: Reserves for depreciation and amortization | 3,770,841 |
| | \$ 7,089,054 |
| Land | 986,897 |
| Construction in progress | 242,194 |
| | 8,318,145 |
| INTANGIBLES, at cost (Note 1) | 8,756,620 |
| DEFERRED CHARGES | 91,162 |
| | \$26,491,261 |

NOTES:

- (1) The amount shown in the balance sheet for intangible assets represents the excess of cost of the stock of Blue Network Company, Inc. (since merged), of a radio station acquired in 1944, and of the stock of King-Trendle Broadcasting Corporation (name since changed to WXYZ Inc.) (acquired July 24, 1946) over net tangible assets applicable thereto at the respective dates of acquisition.
- (2) The liability of the Company for Federal income and excess profits taxes for all years after 1943 is subject to final determination. The amount of the excess profits credit used in computing the excess profits tax liability in the returns filed by the Blue Network Company, Inc., a former subsidiary, for the years 1943 and 1944 is being disputed by the Bureau of Internal Revenue. As a result, a tax deficiency of approximately \$290,000 for these years has been proposed. Since the Company is contesting this proposed deficiency, and is advised by counsel that the ultimate liability will probably not be material, no provision therefor has been made in the financial statements.
- (3) The outstanding long-term debt consists of the following:

American Broadcasting Company, Inc.:

| | |
|--|--------------|
| 4% note payable to insurance company as follows: | |
| \$ 500,000 in 1956 | \$ 500,000 |
| 550,000 in 1957 and 1958 | 1,100,000 |
| 600,000 in 1959 | 600,000 |
| 2,800,000 in 1960 (less \$337,675 included in current liabilities) | 2,462,325(*) |
| 3% notes payable to bank (less \$500,000 included in current liabilities) | 500,000(**) |

American Broadcasting Company, Inc.:

| | |
|--|-------------|
| 4 1/2% secured note payable to insurance company in quarterly amortization payments of \$10,500 covering interest and principal from January 1, 1951 through October 1, 1969 (less \$15,953 included in current liabilities) | 568,792 |
| Consolidated subsidiary: 4% mortgage note payable to bank in quarterly amortization payments of \$13,275 covering interest and principal from March 1, 1951 through June 1, 1969 (less \$19,111 included in current liabilities) | \$6,568,854 |

(*) Beginning April 1, 1951, annual prepayments are required equal to 50% of an amount consisting of net earnings for the preceding calendar year increased by the provisions for depreciation and amortization and reduced by the sum of \$100,000 plus the payments due or payable in the next succeeding calendar year with respect to both this 4% note and the 3% bank notes. However, no annual payment of less than \$250,000 is required. Under this provision of the loan agreement, \$337,675 is payable on April 1, 1951.

(**) On February 2, 1951 the Company borrowed the remaining \$1,500,000 under a \$2,500,000 credit agreement with a New York bank. The total of \$2,500,000 is to be repaid in equal annual installments of \$500,000 beginning November 1, 1951.

(4) As a result of the revision of the estimated useful life of certain television equipment as of January 1, 1950 after an engineering study, the depreciation provision for 1950 was reduced by \$300,000 from \$1,490,000.

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF AMERICAN BROADCASTING COMPANY, Inc.:

We have examined the consolidated balance sheet of American Broadcasting Company, Inc. and Subsidiaries at December 31, 1950 and the related statement of consolidated income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earned surplus present fairly

the financial position of American Broadcasting Company, Inc. and Subsidiaries at December 31, 1950 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in depreciation mentioned in Note 4, which change we approve.

ARTHUR YOUNG & COMPANY
Accountants and Auditors

New York, N. Y. March 5, 1951